GOVERNMENT OF ANDHRA PRADESH
ABSTRACT

Municipal Administration & Urban Development Department – Fourth State Finance Commission – Finalisation of the Recommendations of the Fourth State Finance Commission – Orders – Issued.

MUNICIPAL ADMINISTRATION & URBAN DEVELOPMENT (C2) DEPARTMENT

G.O.Ms.No.19 **Dated:05.02.2024**

Read the following :-

1. G.O.Rt.No.20, Finance (CASP&FC) Department, Dated:05.02.2018.
2. G.O.Rt.No.268, Finance (PMU.CASPC, FC&IF) Department, Dated:10.10.2022.
3. From Finance (PMU-CASPS, FC&IF) Department UO Note.No.FIN01-COOR-MISC/8/2024-CASPS-FC(2336809), Dated:01.02.2024.

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O R D E R:

In the reference 1st read above, the Government in Finance (CASP&FC) Department have re-constituted the Fourth State Finance Commission (IV SFC) under the Chairmanship of Prof. Gummadi Nanchariah to inter-alia suggest the ways & means and the sources to augment the financial position of Local Bodies namely Gram Panchayats, Mandal Praja Parishads, Zilla Praja Parishads, Municipal Councils, Notified Areas and Municipal Corporations in the State and the Fourth State Finance Commission (IV SFC) have submitted the final report with (91) Nos. Recommendations (Rural Local Bodies – 40 Nos + Urban Local Bodies – 51 Nos) on 30.10.2019.

2. In the reference 2nd read above, the Government in Finance (PMU-CASPC, FC &IF) Department have constituted the Committee of Ministers & Secretaries to examine the report of the Fourth State Finance Commission and suggest to the Government the various steps to be taken on the recommendations of the Commission. The Committee have met on 02.11.2023 and submitted the recommendations on the report of IV State Finance Commission (IV SFC).

3. In the ref. 3rd read above, the Finance (PMU-CASPC, FC&IF) Department have informed that the recommendations of the Fourth State Finance Commission (IV SFC) proposed by the Committee of Ministers & Secretaries have been placed before the Council of Ministers on 31.01.2024 for its approval for placing the same before the State Legislature. The Council of Ministers have accepted the recommendations as described in the Annexures. Government hereby decides to accept the recommendations of the Fourth State Finance Commission, both Financial and Non-Financial as Annexed to this order.

P.T.O.

4. The Commissioner & Director of Municipal Administration, Vaddeswaram, Engineer-in-Chief, Public Health and Director of Town & Country Planning, Mangalagiri are requested to issue necessary follow up orders or instructions for implementation of these recommendations.

(BY ORDER AND IN THE NAME OF THE GOVERNOR OF ANDHRA PRADESH)

Y.SRILAKSHMI
SPECIAL CHIEF SECERTARY TO GOVERNMENT

To
The Commissioner & Director of Municipal Administration,
Vaddeswaram (w.e).
The Engineer-in-Chief, Public Health, Tadepalli.(w.e).
The Director of Town & Country Planning, Mangalagiri. (w.e)
The Agriculture & Co.operation (Marketing) Department.
The Revenue (CT , Regn) Department.
The Revenue (DM) Department.
The School Education Department.
The Planning Department.
The General Administration (Cabinet) Department.
The Finance (PMU.CASPC, FC&IF) Department.
The Energy Department.
The Accountant General, AP, Vijayawada.
The Director of State Audit Department.
The Chairperson, IV State Finance Commission.
All Sections in MA&UD Department.
All the District Collectors in the State.
Copy to:-
OSD to Hon'ble Minister (MA&UD).
PS to Chief Secretary.
PS to Spl.Chief Secretary, MA&UD Department.
PS to Spl.Chief Secretary, PR&RD Department.
Sf/Sc.

// FORWARDED :: BY ORDER //

SECTION OFFICER

ANNEXURE-I

FINANCIAL RECOMMENDATIONS OF THE FOURTH STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Recommendations No.41

The Commission arrives at an estimated resource gap of Rs.13,568 crore for 5 year award period. i.e. from 2020-21 to 2024-25 for ULBs. (Para 6.81.3).

Decision of the Government

Not Accepted.

Recommendations No.42

The Commission recommends a total devolution of 3.26 per cent of the State's Own Tax Revenue projected for the award period, to meet this expected resource gap of ULBs. (Para 6.86.1.e.1)

Decision of the Government

Not Accepted.

Recommendations No.43

The Commission suggest the specified amount of transfer to be devolved to each ULB for each year of the award period, at least one year in advance so that they can prepare their development plans. (Para 6.86.1.e.2)

Decision of the Government

Accepted.

Recommendations No.44

The Commission recommends that to ensure certain degree of fiscal equity, 90% of the total tax shares of ULBs in each year are provided to all ULBs on population basis (2011 Census till such time 2021 Census figures are made available.). The remaining 10% should be provided only to Municipal Councils and Nagar Panchayats on the basis of population. (Para 6.86.d)

Decision of the Government

Accepted.

Recommendations No.45

The Commission recommends that each ULB receiving the tax share should be allowed to spend no more than 50% of the total tax transfer received for meeting the resource gap. The other 50% should be used for investment in core infrastructure areas, in line with the priorities indicated by the Government. In other words, this is a development grant. (Para 6.86.c)

Decision of the Government

Accepted.

Recommendations No.46

In addition to the transfer of resources to the tune of Rs.13568 crore, the Commission recommends for an annual share of 3.26 per cent of the State's Own Tax Revenue to ULBs for the financial years 2018-19 and 2019-20 also. The Commission estimated that at 2018-19 (RE) level a 3.26% share of State's Own Tax Revenue, of Rs.58,125 crore, would be Rs.1895 crore. Similarly, a 3.26% share of State's Own Tax Revenue at 2019-20 (BE) level, would be Rs.2,459 crore. Keeping in view the fiscal problems of ULBs, the Commission recommends that the total tax share of Rs.4,354 crore (Rs.1895 crore + Rs.2459 crore) should be released in 10 installments during the award period of 5 years. (Para 6.86.a)

Decision of the Government

Not Accepted

Recommendations No.47

The Commission is of the view that XV Finance Commission grants should be treated as a separate transfer to ULBs, over and above the devolution recommended by the present State Finance Commission and be used primarily for creating new facilities. (Field Observation)

Decision of the Government

Accepted

Recommendations No.59

The State Government should share the revenue from GST on entertainment with ULBs or compensate for loss in this tax revenue as it was represented by the ULBs that they were foregoing on average of revenue of Rs.130 crore per annum. (Para 6.34.4 & 6.56)

Decision of the Government

Accetable. CDMA is directed to examine and submit proposals for taking necessary action at Government level.

Recommendations No.60

The revenue from Profession Tax collected by the Commercial Tax Department should be entirely transferred to ULBs after deducting the cost of collection. (Para 6.35.3 & 6.57)

Decision of the Government

Accepted. Collection of Profession Tax shall be transferred to ULBs.
CDMA is requested to submit proposals regarding entrustment of collection of Professional Tax to ULBs.

Recommendations No.62

It was brought to the notice of Commission by some of the Nagar Panchayats in particular that Government had not transferred the Seigniorage share to them though seigniorage fee collected was credited to the consolidated fund of the State. Hence, the Commission recommends that the Government should take immediate steps to transfer the respective share of this fee to Nagar Panchayats. (Para 6.38)

Decision of the Government

If it is in the limits of Nagar Panchayat, it can be accepted.
CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.70

2nd and 3rd State Finance Commissions have recommended a levy of 5% surcharge on the income of Marketing Committees and passed on to the local bodies. However, the Government did not accept it by leaving the issue to be examined in consultation with Marketing Department. Many of the elected representatives of PRIs have represented this issue to the Commission and the present Commission also strongly recommends that a 5% of the income of the Market Committees should be apportioned and distributed to local bodies. The statistics indicate that market committees have collected a fee of Rs.492.39 crore during 2018-19 and the 5% of this fee would be Rs.25 crore, which would be Rs.125 crore for the award period. Of this Rs.125 crore, 20% must be distributed to ULBs, by transferring 90 per cent to all ULBs in general and the remaining 10% to Municipalities and Nagar Panchayats in particular for the award period. (Para 5.40.25)

Decision of the Government

Accepted for levy of 10% surcharge on the Market Committees and distribution / apportion of the income among various ULBs for the use of Maintenance of Asset around the Market Yard.

CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.80

The feasibility of developing solar power plants for the reduction of power bills may be examined. Government should examine this issue which includes an investment of Rs.40 Crore and 50 acres of land to setup a 10 MW solar power plant. Besides it is recommended to encourage the roof top solar power generation, as was done in YSR Kadapa district. (Para 6.81 & 6.63)

Decision of the Government

Accepted. However, separate orders will be issued by the Government in consultation with the Energy Department.

Recommendations No.81

It was noticed that the outsourced staff appointed in ULBs are paid a monthly salaryRs.12,000/- to Rs.15,000/- and most of the municipalities were found burdened with excess outsourced workers. It is therefore imperative that the Government should review the issue of outsourced staff for hiring their services with appropriate number of workers, taking into account the total revenue and other connected liabilities of the ULBs. (Para 6.52 & 6.66)

Decision of the Government

Accepted.

Recommendations No.83

The Commission recommends that the municipalities with less than one lakh population including Nagar Panchayats should be provided a separate grant on line with AMRUT scheme. (Field Observation)

Decision of the Government

Not Accepted.

Recommendations No.84

Per capita Grant for ULBs should be enhanced to Rs.50/- from the existing Per capita grant from April 2020 onwards, which amounts to Rs.73 crore per annum and Rs.365 crore for the award period of 5 years. The additional commitment in this regard should be released to Municipal Corporations, Municipalities and Nagar Panchayats based on population of 2011 census. The amount of Per capita grant to be released may be revised according to 2021 census figures of population whenever they are made available. (Para 6.86.3)

Decision of the Government

Accepted with prospective effect.

Recommendations No.85

The Commission recommends an annual grant of Rs.250/- crore to ULBs to meet the maintenance cost (including cost of replacement) of different types of infrastructure and assets created. The maintenance grant for the period of 2020-21 to 2024-25 works out to Rs.1384 crore, considering 2011 population figures. It is also recommended that this annual grant may be increased by 5% every year starting from second year of the award period, to account for rising cost of maintenance. (Para 6.86.4)

Decision of the Government

Not Accepted.

Recommendations No.87

The GoAP has been granting a specific–purpose grant to ULBs of an average of Rs.441 crore per annum. This grant is used for development activities as well as maintenance. The Commission recommends that the Government should appropriately enhance this grant keeping in view the resource gap of Rs.8,887 crore, as projected by the Commission. (Para 6.86.6)

Decision of the Government

Not Accepted.

Recommendations No.88

It is noticed that of the 13 districts, 9 districts were highly vulnerable to cyclones and the remaining 4 districts are drought-prone in Andhra Pradesh, according to the reports of the National Disaster Management Authority of India. The Commission strongly appeals to the XV Finance Commission for allocation of sufficient funds, on 2011 population basis, to State Disaster Relief Fund, which would be helpful for urban areas in coastal and Rayalaseema region, in which Andhra Pradesh has to release a 10% matching grant to meet the expenditure to be incurred for cyclone and drought relief activities in the State. (Field Observation)

Decision of the Government

Rejected, since the Time to appeal to FC is over as the recommendations of 15th FC are being implemented.

Y.SRILAKSHMI
SPECIAL CHIEF SECERTARY TO GOVERNMENT

ANNEXURE-II

NON-FINANCIAL RECOMMENDATIONS OF THE FOURTH STATE FINANCE COMMISSION AS ACCEPTED BY GOVERNMENT

Recommendations No.48

In view of the declining ratio of Tax collection to demand, the ULBs must take the following steps to minimize the gap between demand and collection: 1.Propercategorisation of Properties and determination of rateable values. 2. Continuous updating of database of accessible properties. 3.Timely assessment and assessment of new / uncovered properties. 4. Close monitoring of changes made in existing properties. 5. Timely support for quick disposal of appeals. (Para 6.54).

Decision of the Government

Accepted

Recommendations No.49

Property tax should become a buoyant source of revenue. The Government and the State Property Tax Board have to examine the desirability of allowing the ULBs to undertake property tax revisions on annual / biannual incremental basis. ULBs must be permitted to enhance the property tax rates by at least 2.5% once in two years. (Para 6.54)

Decision of the Government

The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.50

The Commission recommends the creation of a comprehensive database and be constantly updated in each Urban Local Body. The database so created must be placed in public domain. In this process, it is recommended that ULBs must take the cooperation of Town Planning and BPS wing, Trade Licence Wing, Electricity Distribution Companies, Department of Commercial Taxes and other sources to strengthen the database on properties and their use pattern. (Para 6.54)

Decision of the Government

Accepted.

Recommendations No.51

A separate "Detection Wing" is to be created in each ULB for identifying new buildings constructed, additions made to the existing structures as well their use pattern for constant monitoring of updating the assessments of properties.

Decision of the Government

Accepted. The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.52

The Commission recommends for the collection of penalties from owners of unauthorised constructions at specified rates rather than taking a lenient view. (Para 6.54).

Decision of the Government

Accepted. The CDMA in consultation with the DTCP is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.53

It was noticed that GIS based survey was completed in 2018 and data base of assessable properties was created and available with the ULBs. In this context, the Commission recommends for an immediate action by the Government permitting the ULBs to undertake complete revision of the property tax. (Para 6.24 & 6.54).

Decision of the Government

Accepted. The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.54

The Commission recommends for undertaking reassessment of properties at the time of mutations and levy of retrospective tax on excluded properties for enhancing the revenue from property tax. (Para 6.54).

Decision of the Government

Accepted. The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.55

The Commission recommends for the setting–up of a tribunal to adjudicate the property tax issues. (Para 6.54).

Decision of the Government

The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.56

ULBs must collect service charges from the Central Government properties on the basis of services utilized at the following rates:

1. Provision of all Services on par with others = 75% of Property Tax
2. Provision of some of the Services = 50% of Property Tax
3. No provision of Services = 33.3% of Property Tax (Para 6.54)

Decision of the Government

Accepted.

Recommendations No.57

Preparation of a database of the vacant land properties along with their market value and their present owners is necessary. Payment of vacant land tax must be made mandatory for the approval of house plans and grant of any loan on the property. (Para 6.31)

Decision of the Government

Accepted.

Recommendations No.58

The ULBs must collect the permission fee in the case of the land used for advertisements belonging to ULBs. It should be made clear that they can also lease–out identified places owned and controlled by ULBs for erecting hoardings. ULBs should be fully compensated for the loss of advertisement tax revenue and the revenue so transferred should be distributed among ULBs based on population of 2011 census. (Para 6.33 & 6.55)

Decision of the Government

Accepted.

Recommendations No.61

The under valuation of property at the time of assessment of surcharge on stamp duty is resulting into decline in tax revenues. To ensure transparency the Registration department should place quantum of collection of basic duty and transfer duty from each jurisdiction on its website so that the ULBs can check the Quantum of collection of transfers made. (Para 6.58)

Decision of the Government

The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.63

It was noticed by the Commission that there is a wide gap between demand and collection of water charges in ULBs. The Commission feels that there is an urgent need to reduce the demand–collection gap and ULBs must pay adequate attention to improve tax collection efficiency. (Para 6.39.2)

Decision of the Government

Accepted.

Recommendations No.64

There is an urgent need to suitably enhance water charges for meeting the operations and maintenance appropriate rate–structure and levy of water charges based on the pattern of consumptions. The Commission noticed that there is scope for augmenting revenue from water charges by suitably rationalizing the structure of water charges. (Para 6.39.2)

Decision of the Government

Accepted.

Recommendations No.65
The ULBs have to implement suitable measures to mobilize additional donations /non – refundable deposits to meet the cost of providing private water tap connections. (Para 6.39.2)

Decision of the Government
Accepted

Recommendations No.66
An annual or six–monthly survey is to be conducted in all ULBs to identify unauthorised water tap connections and regularizing them by collecting some penal fee. (Para 6.39.2)

Decision of the Government
Accepted.

Recommendations No.67
Wherever possible, water metres should be installed by the ULBs for bulk supply of water and collect charges for the quantity of water consumed. (Para 6.39.2)

Decision of the Government
Accepted.

Recommendations No.68
There is a necessity to rationalize Trade Licence Fee structure and rates under the jurisdiction of ULBs for augmentation of revenue. (Para 6.40.2)

Decision of the Government
Accepted. The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.69
It is observed by the Commission that the fees from markets and slaughter houses are relatively low and need to be revised with reference to rents or charges prevailing in the neighbourhood for similar purposes. Public auctions are to be conducted for every two years to lease–out / let for rent the markets and slaughter houses for enhancing the revenue from these sources. (Para 6.41)

Decision of the Government
Accepted. The CDMA is requested to examine and submit proposals for taking necessary action at Government level.

Recommendations No.71
The ULBs have to identify the road margins, street margins and places suitable for providing places to park the vehicles. By conducting public auctions, the places and margins should be leased out to mobilize revenue. For curtailing the coalition of bidders, the ULBs should invite sealed tenders and insist an appropriate security deposits and solvency certificates. (Para 6.42)

Decision of the Government
Accepted.

Recommendations No.72
It was noticed by the Commission that in some municipalities, upset price for lease of immovable properties are fixed at rates lower than the comparable market rates. In this context, it is recommended to fix the upset price / rent at10% of the current market value of the property per annum (including value of land and building as fixed by the Registration Department) or comparable rent of similar properties in the neighbourhood. (Para 6.43)

Decision of the Government
Accepted.

Recommendations No.73
The Commission recommends that in respect of renewal of lease of shops and buildings, the upset price should be either 10% of the market value of the property or an incremental rent of 33.33 % of the earlier rent, whichever is higher. (Para 6.43)

Decision of the Government
Accepted.

Recommendations No.74
The Commission understood that the Building Permit Fee and charges are not revised by ULBs once in three years. It is recommended that in view of the increasing cost of civic amenities, the rates should be revised once in three years and enforce collection by checking illegal and unauthorised constructions. (Para 6.44)

Decision of the Government
Accepted. The CDMA in consultation with DTCP is requested submit proposals for taking necessary action at Government level.

Recommendations No.75
The revenue collected through the Building Permit Fees should be used for the development of infrastructure and provision of civic amenities. It is recommended that ULBs should adhere to this important cardinal principle. (Para 6.44)

Decision of the Government
Accepted.

Recommendations No.76
The Commission understood that the encroachments were not always taken seriously, though ULBs are competent to impose and collect encroachment fee. It is recommended that steps should be taken by all municipalities and corporations to protect all roads and pathways from encroachments and finding out the opportunities of levying penalties on these encroachments after proper eviction. (Para 6.45)

Decision of the Government
Accepted. The CDMA in consultation with DTCP is requested submit proposals for taking necessary action at Government level.

Recommendations No.77
The Commission noted that ULBs are paying the large amounts of electricity charges due to slab based commercial tariff rates adopted, ranging from Rs.7/- to Rs.11/- per unit. The Commission recommends that the Government should advice the electricity distribution companies to charge reasonable rates for the electricity consumed by ULBs. The Commission recommends that the penal interest, surcharge etc., an overdue tariff should be waived in view of the difficult revenue situation of ULBs. The power companies should be advised to drop penal interest and surcharges as onetime measure for ULBs. (Para 6.50)

Decision of the Government
The CDMA is requested to examine and submit necessary proposals to Government in consultation with the Energy Department.

Recommendations No.78
The Commission noticed that the power distribution companies are levying and collecting charges for shifting the transformers and poles, from the ULBs which make use of their property without prior approval or permission. It is recommended that the Government should examine the feasibility of waiving the pole and transformer shifting charges being collected from ULBs. (Para 6.50)

Decision of the Government
The CDMA is requested to examine and submit necessary proposals to Government in consultation with the Energy Department.

Recommendations No.79
The electricity distribution companies which enhance their revenue from sale of electricity through laying new lines, it is recommended that the ULBs may be charged at concessional rates. (Para 6.50 & 6.64)

Decision of the Government
The CDMA is requested to examine and submit necessary proposals to Government in consultation with the Energy Department.

Recommendations No.82
It was noticed by the Commission that majority of the municipalities were not able to provide drinking water to all areas and all households as per norms, particularly during summer season. In this context, the Commission recommends for the appointment of a study team to assess the water supply situation in all municipalities and to suggest least–cost methods of augmenting water supply as per prescribed norms. (Para 6.53 & 6.67)

Decision of the Government
Accepted.

Recommendations No.86

The Commission urges that the functionaries appointed as ULB Ward Secretaries would be made part of ULBs and be accountable to them in true spirit of decentralisation, controlled / supervised by a single authority instead of multiple authorities. (Para 6.86.5)

It is also recommended that the entire salary, travel and other allowances payable to these functionaries be provided as grants to ULBs for ensuring effective delivery of multiple public services to all households. (Para 6.86.5)

Decision of the Government

Accepted.

Recommendations No.89

The Commission recommends for a 5% user fee at a percentage of property tax to meet the payment of honorarium to green ambassadors, operations and maintenance expenditure of Solid Waste Management projects. This user fees should be levied and collected along with property tax by the ULBs. (Field Observation)

Decision of the Government

Accepted. Levy may be subsumed into relevant category for sanitation in the Property tax. The CDMA is requested to examine the issue and submit necessary proposals to Government.

Recommendations No.90

The Commission noted that the ULBs have levied and collected the Library Cess and Education Tax as a surcharge from 2014-15 to 2018-19 at the rate of 1.52 per cent and 2.08 per cent of property tax respectively and they have failed to remit the amount promptly to Zilla Grandhalaya Samstha and to the Government account. This non-remittance resulted in the sub-optimal provision of better library facilities as well as provision of educational infrastructural facilities in the schools maintained by ULBs.

Decision of the Government

Accepted. Amount should be intended purpose.

Recommendations No.91

The Commission urges the Government to examine this issue and issue necessary orders for prompt payment of Library Cess and Education Tax to their respective accounts.

Decision of the Government

Accepted.

Y.SRILAKSHMI
SPECIAL CHIEF SECERTARY TO GOVERNMENT

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SECTION OFFICER